

**HEARING  
ON  
THE DISTRICT OF COLUMBIA'S FY 2007  
PROPOSED BUDGET AND FINANCIAL PLAN**

**Before the**

**Subcommittee on the District of Columbia  
Committee on Appropriations  
U.S. Senate**

**The Honorable Sam Brownback, Chairman**

**June 22, 2006, 10:30 a.m.  
Room 138, Dirksen Senate Office Building**



**Testimony of  
Natwar M. Gandhi  
Chief Financial Officer  
Government of the District of Columbia**

Good morning, Chairman Brownback and members of the subcommittee. I am Natwar M. Gandhi, Chief Financial Officer for the District of Columbia, and I am here to offer brief remarks about the fiscal year (FY) 2007 proposed budget and financial plan for the District.

First, I will summarize the fiscal recovery over the past decade and discuss some of the highlights of the FY 2007 budget request and the five-year plan. I will also address our capital spending needs and the continuing structural imbalance – that is, the mismatch between capital spending needs and the ability to raise local revenues sufficient to fund those needs. Finally, I will address our on-going commitment to remain fiscally balanced in the future.

### **Fiscal Recovery 1996 – 2005**

The chart that appears as Attachment A to my testimony and that appears here before you is a history of the remarkable fiscal comeback achieved by the District over the past decade. Our fiscal low point occurred in FY 1996, when the general fund balance hit a negative \$518 million. Through the efforts of Mayor Williams, the District Council and the congressionally-mandated control board, we were able repeatedly to balance the District's fiscal operations, and the control board was deactivated in 2001. Between FY 1996 and the end of FY 2001, there was a \$1.1 billion increase in the fund balance, to a positive \$562 million by the end of FY 2001. The real test for the District was the challenge of sustaining fiscal stability in the post-control period. As you can see, at the end of FY 2005, the general fund balance had risen another \$1 billion, to \$1.6 billion total. Of the

\$2.1 billion increase in the general fund balance between FY 1996 and FY 2005, the amount of gain since the control period ended was about equal to the gain during the control period, demonstrating the commitment of the District’s leadership to ongoing fiscal restraint.

The measure of this success is reflected in the District’s bond ratings. All three rating agencies – Fitch Ratings, Moody’s Investors Service, and Standard & Poor’s – recognized the improved creditworthiness of our bonds by raising the District’s bond ratings from “junk bond” status during the control period to “A” category ratings – the highest level ever achieved by this jurisdiction. It is notable that compared to other major cities that experienced periods of financial stress, including New York, Philadelphia, Cleveland and Detroit, this turnaround is the fastest in terms of both the time it took to return to investment grade, and the time to achieve their highest ratings (helped in part by our strong local economy, which added tax revenues that were used to provide essential services to our population).

A great deal of the increase in fund balance was driven by the growth in local revenues, specifically by real estate, income and sales taxes resulting from the strong regional economy. Table 1 below shows a comparison of tax revenues, General Fund balance and reserve funds in FY 1996 compared to FY 2005 that reflects the revenue growth and prudent financial management that contributed to the increased General Fund balance.

| <b>Table 1: Comparison of Key Financial Measures</b> (\$ in thousands) |                |                |
|--|----------------|----------------|
|  | <b>FY 1996</b> | <b>FY 2005</b> |
| Tax Revenues   | \$ 2,402,521   | \$ 4,052,087   |
| Operating Surplus/(Deficit)  | (\$33,688)     | \$369,668      |
| General Fund Balance   | (\$518,249)    | \$1,584,683    |
| Reserves Available for Operations**                                    | (\$332,357)    | \$428,900      |
| Operating Reserves as % of Expenditures                                | --             | 8.5%           |

\*\*Includes congressionally-mandated emergency and contingency reserves plus unreserved undesignated general fund balance.

## **Revenue Outlook**

The current economic outlook for the District, similar to that projected for the nation as a whole, is that of steady growth in employment, wages, and income. Continued high levels of federal spending and contracting benefit the District because so many of these dollars are spent here. Retail activity will continue to improve, as the number of retail outlets in the District continues to grow and as shoppers increase their spending.

In FY 2007, District general fund resources are forecasted to be \$5.565 billion, an increase of \$167 million, or 3.1% above the FY 2006 approved budget. These amounts include local fund revenue, special purpose fund revenue, as well as proposed revenue enhancements and appropriated fund balance.

The direction of the market for real property is a key question for the District in FY 2006 and on into FY 2007. Rising real estate assessments and transactions were major sources of revenue gains in fiscal years 2003 through 2005. The fundamentals affecting the District's real estate markets remain strong; the District's economy is growing, individuals and businesses both continue to demonstrate a desire to locate in the District, and the supply of housing and land for commercial development cannot increase very rapidly. Accordingly, the contributions of the real estate sector are expected to be significant in FY 2006 and FY 2007, as well, but the greater strength will be in the real property tax that is based on property valuation with a two-year lag. Deed recordation and transfer taxes are expected to drop a bit, in keeping with the moderation in the volume of current year transactions in real property.

## **Highlights of FY 2007 Proposed Budget and FY 2007-FY 2010 Financial Plan**

The FY 2007- 2010 financial plan appears as Attachment B. Each of the four years is balanced. Tax revenues are projected to increase an average 5.8 percent per year and total local fund recurring revenues an average 5.4 percent. Total local fund resources are projected to increase an average 4.2 percent per year and total local fund expenditures an average 4.0 percent per year. Incorporated in the plan is the final phase of “tax parity” that the Mayor and Council initiated in 1999 to lower income tax rates and achieve better balance between D.C. and its neighbors. The plan also accommodates a major new expenditure starting in FY 2008, namely, the required actuarial payment for post employment retirement benefits, thereby complying with the GASB requirement. It should be noted that the District was at the forefront of municipalities recognizing and providing for this liability. It put aside approximately \$140 million in 2006, about two years earlier than required.

The District’s FY 2007 proposed budget includes \$5.022 billion in local-funds spending supported by \$5.020 billion of local revenues, with an operating margin of \$1.8 million. (See Attachment C.)

The Council’s approved total local fund operating expenditures for FY 2007, not including paygo capital, enterprise funds or transfers to OPEB, is \$4,927.8 million, an increase of \$377.2 million or 8.3% over FY 2006 approved expenditures of \$4,550.6 million.

## **Gross Funds Budget**

The proposed FY 2007 gross funds operating budget is \$7.608 billion, an increase of \$255.7 million, or 3.5 percent, over the approved FY 2006 gross funds budget of

\$7.352 billion. The FY 2007 appropriation is primarily due to higher funding levels for federal grants (\$98.9 million) including Medicaid, and in programs supported by user fees, fines, the dedicated portion of deed recordation and transfer taxes transferred to its own separate fund (for housing production), and other special purpose revenues (\$29.5 million). The local and non-local funding components of the proposed FY 2007 gross funds budget and the changes from FY 2006 are summarized in Table 2 below.

**Table 2: FY 2007 Gross Funds Budget By Fund Type** (\$ in millions)

| <b>Fund Type</b>         | <b>FY 2006</b>    | <b>FY 2007</b>    | <b>Change</b>   | <b>%<br/>Change</b> |
|--------------------------|-------------------|-------------------|-----------------|---------------------|
| Local                    | \$ 4,949.5        | \$ 5,086.2        | \$136.7         | 2.8%                |
| Federal                  | 1,939.1           | 2,038.0           | 98.9            | 5.1%                |
| Private Grants           | 16.2              | 6.8               | ( 9.4)          | (58.0)%             |
| Special Purpose          | 447.1             | 476.6             | 29.5            | 6.5%                |
| <b>Total Gross Funds</b> | <b>\$ 7,351.8</b> | <b>\$ 7,607.6</b> | <b>\$ 255.7</b> | <b>3.5%</b>         |

### **General Fund Balance Use**

It is the function of government to provide badly needed services. With this in mind, the FY 2006 budget included provisions for spending a portion of the funds that had accumulated over the years as a result of unprecedented growth in local revenues. This drawdown of fund balance was largely driven by one-time spending on capital needs and programs. As approved, the FY 2006 budget uses \$467 million of local fund balance, and we currently estimate a net reduction by September 30, 2006, of roughly \$544 million in the general fund balance. It should be noted that despite this reduction in cumulative fund balance, the District will still retain about \$350 million in operating reserve every year throughout the five-year budget and financial plan. (See Attachment G.)

The FY 2007 proposed local funds operating budget includes a proposal to use another \$176 million of fund balance. The use of these monies is for non-recurring expenditures:

- \$46.5 million for school modernization in FY 2007;
- \$88.0 million for paygo capital to fund various capital projects; and
- \$41.9 million for various one-time operating program enhancements.

### **Capital Spending**

The District continues to face a wide variety of infrastructure needs, placing great demands on its Capital Improvements Plan (CIP). The total proposed expenditures in the FY 2007-2012 CIP is \$3.193 billion (excluding the Highway Trust Fund, Local Streets Fund, and special financings). This six-year plan includes a net increase in budget authority of \$2.341 billion from all sources.

The FY 2007 capital program includes \$662.5 million in planned capital expenditures financed by \$399.7 million in newly issued general obligation bonds, \$188.0 million of pay-as-you-go (paygo) transfers from the general fund balance, and \$74.8 million of Master Equipment Lease financing.

Despite this effort to fund the District's considerable capital needs, I must again point out to the committee that this government continues to struggle to function under a structural imbalance. This means that D.C.'s revenue capacity, under national norms, falls far short of the cost of delivering services assuming average efficiency, again as measured by national norms. The reasons lie in high regional costs for labor, land, and other resources; a large population in need; and accumulated infrastructure deficiencies. D.C.'s fiscal stress was confirmed by the GAO in its 2003 study of the District's finances. This study is an extensive

analysis comparing D.C.'s revenue and expenditure bases to those of state and local jurisdictions all across the United States. From every perspective of structural imbalance examined by GAO, the District is at or near the top of the most burdened jurisdictions in the nation.

Although the District has made great strides in fiscal management and in providing better services, two difficult consequences of the structural imbalance between the District's revenue base and its spending requirements remain. These are: (1) a high per capita tax burden with some of the highest tax burdens in the region and the country; and (2) the highest per capita borrowing. D.C.'s tax burden on households ranks in the upper-one third when compared to the largest cities in the U.S. (for total state and local burden of sales, income, property, and automobile taxes) according to a highly-regarded annual study, prepared by my office, comparing tax burdens in D.C. to those of the largest city in each state.<sup>1</sup>

The burden is greater on businesses. The District's tax rate on net business income is 9.975 percent (compared to 7.0% in Maryland, 6.0% in Virginia, and exceeded by only two states, Alaska and Iowa); the gross receipts tax on public utilities used by businesses is 11 percent (compared to 2% in Maryland and 1% in Virginia); and the real property tax on commercial property is \$1.85 per \$100 of value as compared to a range of \$0.92 to \$1.16 in neighboring suburbs.

The GAO ranks the District's tax burden among the very highest in the country:

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<sup>1</sup>Government of the District of Columbia, Office of the Chief Financial Officer, Tax Rates and Tax Burdens in the District of Columbia, A Nationwide Comparison, various years. This annual study is the basis for many public uses, such as an annual analysis by Money Magazine, and has been cited in the New York Times, Wall Street Journal, CNN, and many other places.



“The District’s tax burden (actual revenue collected from local resources relative to their own-source revenue capacity) is among the highest of all fiscal systems . . . . The District’s actual tax burden exceeded that of the average state fiscal system by 33 percent, based on our lower estimate of its own-source revenue capacity, and by 18 percent, based on our higher estimate of that capacity.”<sup>2</sup>

There is no way for the District to tax its way out of structural imbalance – indeed, higher taxes simply make the problem worse.

The District’s very high per capita borrowing reflects the city’s effort to sustain infrastructure generally provided by multiple jurisdictions. The District’s per capita tax-supported debt burden exceeds \$8,000, the highest of any major city in the nation. Clearly, we cannot borrow our way out of the structural imbalance.

Challenges may arise, adding to D.C.’s structural imbalance in coming years. First, all state and local revenue systems are stressed by the changing nature of the economy, as it evolves more into a service-oriented economy. Because state and local tax systems were developed around the manufacturing and sale of goods, the old ways of gathering tax revenue are increasingly inadequate to the newer economy. The revenue challenge is made even greater in the District by federal prohibitions against taxing incomes earned by non-residents workers and incomes earned by certain professional services. Additionally, a recent court finding challenges the District’s capacity to tax any unincorporated business income generated in the District, except as reported on the individual returns of residents.

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<sup>2</sup> GAO-03-666, District of Columbia, Structural Imbalance and Management Issues, May 2003, page 41.

Already, the partnership income of residents that is earned elsewhere is exempt from taxation here.

Second, the District has a large urban population that needs help. Census data for 2004 estimate the D.C. poverty rate at about 19 percent, the fourth highest in the nation when compared to states, after Mississippi, Louisiana, and New Mexico. Of D.C.'s 248,563 households, 18 percent have income of less than \$15,000.<sup>3</sup> Median household income is about \$46,600 – in a metropolitan area with median household income of about \$70,400.<sup>4</sup> Only about a third of D.C.'s households are at or above the metropolitan median. Like other cities, D.C. is accountable for greater efforts to help the less advantaged in the city's population. Unlike other cities, however, the District does not have a state or suburbs that share in its overwhelming costs. The proposed FY 2007 budget works hard to manage the expenditure needs and fiscal requirements of the District's lower income population.

## **Conclusion**

The leadership provided by the Mayor and the Council, along with the hard work of the Office of the Chief Financial Officer, allowed us to produce this balanced budget for FY 2007. As a result, we are certifying that the FY 2007 budget and financial plan, as proposed, is balanced for FY 2007 and beyond. I would like to thank this committee for its diligent and continuous oversight work on the District's finances during this sustained recovery period. We look forward to continuing to work with you and the subcommittee during the forthcoming budget deliberations.

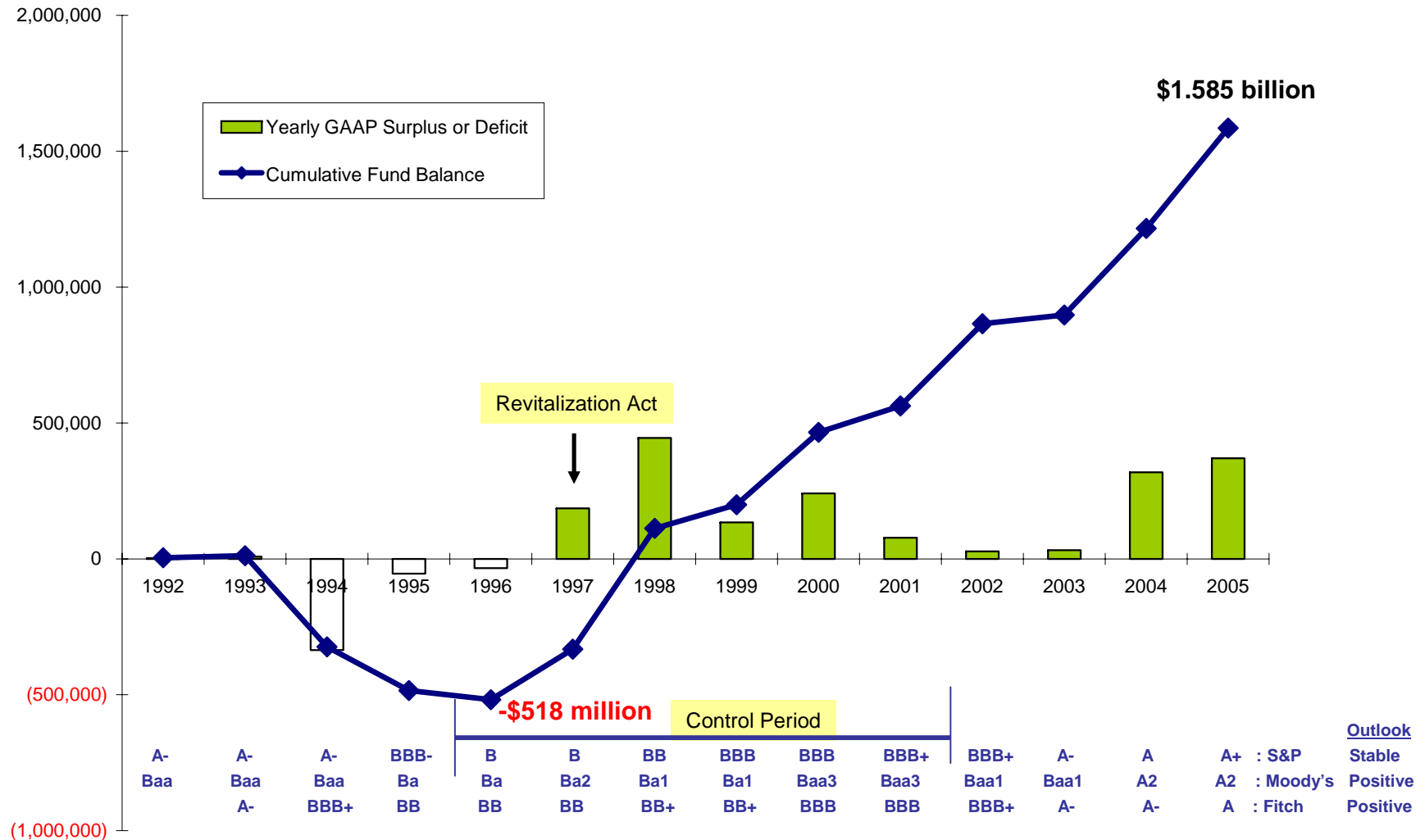
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<sup>3</sup> American Community Survey, 2004.

<sup>4</sup> American Community Survey, 2004 and Economy.com, 2004.



# Surplus and Bond Rating History



# ATTACHMENT B

## FY 2007 - 2010 Proposed Budget and Financial Plan: GENERAL FUND

(\$ thousands)

|  | FY 2005<br>Actual | FY 2006<br>Approved | FY 2006<br>Adjusted | FY 2007<br>Proposed | FY 2008<br>Projected | FY 2009<br>Projected | FY 2010<br>Projected |
|--|-------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| <b>1 Revenues</b>  |                   |                     |                     |                     |                      |                      |                      |
| 2 Taxes  | 4,052,087         | 4,101,533           | 4,157,782           | 4,412,599           | 4,676,088            | 4,949,484            | 5,224,222            |
| 3 General Purpose Non-Tax Revenues                                     | 352,427           | 340,522             | 315,226             | 317,277             | 317,138              | 325,336              | 325,095              |
| 4 Dedicated Taxes - Housing Production Trust Fund                      | 0                 | 0                   | 0                   | 50,587              | 53,255               | 58,103               | 64,005               |
| 5 Special Purpose (O-type) Revenues                                    | 311,789           | 264,254             | 354,667             | 368,657             | 364,748              | 361,830              | 373,639              |
| 6 Transfer from Lottery  | 71,450            | 73,100              | 72,000              | 72,100              | 72,100               | 72,100               | 72,100               |
| <b>7 General Fund Revenues</b>   | <b>4,787,753</b>  | <b>4,779,409</b>    | <b>4,899,675</b>    | <b>5,221,220</b>    | <b>5,483,329</b>     | <b>5,766,853</b>     | <b>6,059,061</b>     |
| 8 Effect of Tax Changes  |                   |                     | (908)               | (276)               | (307)                | (346)                | (388)                |
| 9 Gross Sales Tax Dedicated for School Modernization                   | 0                 | 0                   | 0                   | (100,000)           | (106,000)            | (112,360)            | (119,102)            |
| <b>10 Adjusted General Fund Revenues</b>                               | <b>4,787,753</b>  | <b>4,779,409</b>    | <b>4,898,767</b>    | <b>5,120,944</b>    | <b>5,377,022</b>     | <b>5,654,147</b>     | <b>5,939,571</b>     |
| 11 Bond Proceeds for Issuance Costs                                    | 4,935             | 40,000              | 40,000              | 30,000              | 30,000               | 20,000               | 20,000               |
| 12 Payment-in-Lieu-of-Taxes from WASA                                  | 0                 | 1,576               | 1,576               | 1,551               | 0                    | 0                    | 0                    |
| 13 Transfer from Federal and Private Resources                         | 0                 | 6,502               | 6,502               | 6,502               | 6,646                | 6,807                | 6,979                |
| 14 Transfer from HPTF Special Revenue Fund for Debt Service            | 0                 | 0                   | 0                   | 6,000               | 12,000               | 12,000               | 12,000               |
| 15 Transfer from Capital Funds (Bus Shelter Revenue) for Debt Svc      | 0                 | 0                   | 0                   | 2,091               | 17,526               | 18,097               | 18,465               |
| 16 Fund Balance Use  | 80,781            | 591,642             | 605,662             | 284,287             | 65,385               | 8,399                | 0                    |
| 18 Transfer to Capital   | 0                 | (30,000)            | 0                   | 0                   | 0                    | 0                    | 0                    |
| 19 Revenue Proposals   | 0                 | 8,729               | 0                   | 113,268             | 137,307              | 139,470              | 145,228              |
| <b>20 Total General Fund Resources</b>                                 | <b>4,873,469</b>  | <b>5,397,858</b>    | <b>5,552,507</b>    | <b>5,564,643</b>    | <b>5,645,886</b>     | <b>5,858,920</b>     | <b>6,142,243</b>     |
| <b>22 Expenditures (by Appropriation Title)</b>                        |                   |                     |                     |                     |                      |                      |                      |
| 23 Governmental Direction and Support                                  | 294,778           | 340,858             | 344,033             | 384,759             | 378,512              | 388,375              | 400,497              |
| 24 Economic Development and Regulation                                 | 193,456           | 328,156             | 347,356             | 288,974             | 254,273              | 256,226              | 263,870              |
| 25 Public Safety and Justice   | 805,471           | 827,037             | 838,654             | 943,295             | 961,120              | 990,839              | 1,023,552            |
| 26 Public Education System   | 1,082,177         | 1,189,302           | 1,189,051           | 1,223,971           | 1,245,784            | 1,277,734            | 1,311,343            |
| 27 Human Support Services  | 1,258,537         | 1,307,530           | 1,357,342           | 1,423,138           | 1,475,718            | 1,545,283            | 1,621,441            |
| 28 Public Works  | 328,997           | 366,101             | 366,100             | 405,318             | 412,268              | 426,723              | 443,714              |
| 29 Financing and Other   | 421,070           | 561,276             | 552,287             | 586,296             | 670,135              | 710,075              | 758,932              |
| 30 Cash Reserve (Budgeted Contingency)                                 | 0                 | 50,000              | 48,400              | 50,000              | 50,000               | 50,000               | 50,000               |
| 31 Lease Purchase Costs  | 22,058            | 27,441              | 27,441              | 43,955              | 46,320               | 49,320               | 51,320               |
| <b>32 Subtotal, Operating Expenditures</b>                             | <b>4,406,544</b>  | <b>4,997,701</b>    | <b>5,070,664</b>    | <b>5,349,706</b>    | <b>5,494,131</b>     | <b>5,694,574</b>     | <b>5,924,669</b>     |
| 33 Paygo Capital   | 20,550            | 207,083             | 208,523             | 87,987              | 0                    | 0                    | 0                    |
| 34 Transfer to Trust Fund for Post-Employment Benefits                 | 0                 | 138,000             | 138,000             | 4,700               | 81,000               | 86,200               | 91,800               |
| 35 General Fund Contribution to Capital Fund Balance                   | 0                 | 53,800              | 53,800              | 0                   | 0                    | 0                    | 0                    |
| 36 Transfer to HPTF Special Revenue Fund                               | 0                 | 0                   | 0                   | 120,418             | 69,255               | 75,644               | 83,424               |
| <b>37 Total General Fund Expenditures</b>                              | <b>4,427,094</b>  | <b>5,396,584</b>    | <b>5,470,987</b>    | <b>5,562,811</b>    | <b>5,644,386</b>     | <b>5,856,418</b>     | <b>6,099,893</b>     |
| <b>38 Operating Margin, Budget Basis</b>                               | <b>446,375</b>    | <b>1,274</b>        | <b>81,520</b>       | <b>1,832</b>        | <b>1,500</b>         | <b>2,501</b>         | <b>42,349</b>        |
| <b>40 Beginning General Fund Balance</b>                               | <b>1,215,015</b>  | <b>1,584,683</b>    | <b>1,584,683</b>    | <b>1,040,541</b>    | <b>738,086</b>       | <b>654,201</b>       | <b>628,304</b>       |
| 41 Operating Margin, Budget Basis                                      | 446,375           | 1,274               | 81,520              | 1,832               | 1,500                | 2,501                | 42,349               |
| 42 Projected GAAP Adjustments (Net)                                    | 4,074             | (20,000)            | (20,000)            | (20,000)            | (20,000)             | (20,000)             | (20,000)             |
| 43 Deposits into Reserve Funds (From Fund Balance)                     |                   |                     |                     |                     | (34,524)             | 0                    | 0                    |
| 44 Deposits into Reserve Funds (To Cash Reserves)                      |                   |                     |                     |                     | 34,524               | 0                    | 0                    |
| 45 Fund Balance Use  | (80,781)          | (591,642)           | (605,662)           | (284,287)           | (65,385)             | (8,399)              | 0                    |
| <b>46 Ending General Fund Balance</b>                                  | <b>1,584,683</b>  | <b>974,315</b>      | <b>1,040,541</b>    | <b>738,086</b>      | <b>654,201</b>       | <b>628,304</b>       | <b>650,653</b>       |
| <b>48 Composition of Fund Balance</b>                                  |                   |                     |                     |                     |                      |                      |                      |
| 49 Emergency Cash Reserve Balance (2%, formerly 4%)                    | 70,532            | 84,622              | 70,532              | 73,001              | 102,004              | 103,154              | 103,452              |
| 50 Contingency Cash Reserve Balance (4%, formerly 3%)                  | 182,905           | 169,244             | 182,905             | 189,307             | 204,008              | 206,308              | 206,904              |
| 51 Fund Balance not in Emergency & Contingency Reserves                | 1,331,246         | 720,449             | 787,104             | 475,779             | 348,189              | 318,842              | 340,297              |
| <b>52 Ending General Fund Balance (Line 47)</b>                        | <b>1,584,683</b>  | <b>974,315</b>      | <b>1,040,541</b>    | <b>738,086</b>      | <b>654,201</b>       | <b>628,304</b>       | <b>650,653</b>       |
| <b>54 Total cash reserves - operating, emergency &amp; contingency</b> | <b>N/A</b>        | <b>N/A</b>          | <b>301,837</b>      | <b>312,307</b>      | <b>356,013</b>       | <b>359,462</b>       | <b>360,355</b>       |

## ATTACHMENT C

### Local Funds Component of the General Fund Financial Plan (\$ thousands)

|  | FY 2005   | FY 2006   | FY 2006   | FY 2007   | FY 2008   | FY 2009   | FY 2010   |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | Actual    | Approved  | Adjusted  | Proposed  | Projected | Projected | Projected |
| 1 Revenues                                       |           |           |           |           |           |           |           |
| 2 Taxes  | 4,052,087 | 4,101,533 | 4,157,782 | 4,412,599 | 4,676,088 | 4,949,484 | 5,224,222 |
| 3 General Purpose Non-Tax Revenues               | 352,427   | 340,522   | 315,226   | 317,277   | 317,138   | 325,336   | 325,095   |
| 6 Transfer from Lottery                          | 71,450    | 73,100    | 72,000    | 72,100    | 72,100    | 72,100    | 72,100    |
| 7 Local Fund Revenues                            | 4,475,964 | 4,515,155 | 4,545,008 | 4,801,976 | 5,065,326 | 5,346,920 | 5,621,417 |
| 8 Effect of Tax Changes                          | 0         | 0         | -908      | -276      | -307      | -346      | -388      |
| 9 Gross Sales Tax Dedicated for School Mode      | 0         | 0         | 0         | -100,000  | -106,000  | -112,360  | -119,102  |
| 10 Adjusted Local Fund Revenues                  | 4,475,964 | 4,515,155 | 4,544,100 | 4,701,700 | 4,959,019 | 5,234,214 | 5,501,927 |
| 11 Bond proceeds for Issuance Costs              | 4,935     | 40,000    | 40,000    | 30,000    | 30,000    | 20,000    | 20,000    |
| 12 Payment-in-Lieu-of-Taxes from WASA            | 0         | 1,576     | 1,576     | 1,551     | 0         | 0         | 0         |
| 13 Transfer from Federal and Private Resource    | 0         | 6,502     | 6,502     | 6,502     | 6,646     | 6,807     | 6,979     |
| 14 Transfer from Enterprise Fund (HPTF) for D    | 0         | 0         | 0         | 6,000     | 12,000    | 12,000    | 12,000    |
| 15 Transfer from Capital Funds (Bus Shelter R    | 0         | 0         | 0         | 2,091     | 17,526    | 18,097    | 18,465    |
| 16a Fund Balance Use: To Replace Dedicated C     | 0         | 0         | 0         | 46,477    | 65,385    | 8,399     | 0         |
| 16b Fund Balance Use: Transfers to Capital and   | 0         | 390,700   | 390,700   | 87,987    | 0         | 0         | 0         |
| 16c Fund Balance Use: One-time Expenditures      | 67,325    | 76,230    | 79,542    | 41,866    | 0         | 0         | 0         |
| 17 Transfer to Special Purpose Revenues          | 0         | -54,395   | 0         | 0         | 0         | 0         | 0         |
| 18 Transfer to Capital                           | 0         | -30,000   | 0         | 0         | 0         | 0         | 0         |
| 19a Revenue Proposals- Tax Compliance Initiati   | 0         | 0         | 0         | 49,000    | 70,000    | 66,000    | 64,250    |
| 19b Revenue Proposals - Council actions incl. de | 0         | 0         | 0         | 49,117    | 51,307    | 55,928    | 61,558    |
| 19c Revenue Proposals/One-time Revenue           | 0         | 4,976     | 0         | 0         | 0         | 0         | 0         |
| 20 Total Local Fund Resources                    | 4,548,224 | 4,950,744 | 5,062,420 | 5,022,291 | 5,211,883 | 5,421,445 | 5,685,179 |
| 21   |           |           |           |           |           |           |           |
| 22 Expenditures (by Appropriation Title)         |           |           |           |           |           |           |           |
| 23 Governmental Direction and Support            | 272,404   | 296,632   | 299,807   | 330,101   | 331,262   | 341,504   | 352,096   |
| 24 Economic Development and Regulation           | 84,178    | 101,629   | 120,829   | 128,468   | 115,521   | 118,584   | 121,736   |
| 25 Public Safety and Justice                     | 782,797   | 769,785   | 781,402   | 888,003   | 913,322   | 943,423   | 974,589   |
| 26 Public Education System                       | 1,074,120 | 1,177,599 | 1,177,348 | 1,203,492 | 1,228,081 | 1,260,172 | 1,293,208 |
| 27 Human Support Services                        | 1,229,443 | 1,273,676 | 1,323,488 | 1,369,566 | 1,429,407 | 1,499,342 | 1,574,001 |
| 28 Public Works                                  | 317,426   | 316,374   | 316,373   | 351,396   | 365,654   | 380,482   | 395,964   |
| 29 Financing and Other                           | 421,070   | 537,452   | 528,463   | 562,791   | 649,816   | 689,918   | 738,117   |
| 30 Cash Reserve (Budgeted Contingency)           | 0         | 50,000    | 48,400    | 50,000    | 50,000    | 50,000    | 50,000    |
| 31 Lease Purchase Costs                          | 22,058    | 27,441    | 27,441    | 43,955    | 46,320    | 49,320    | 51,320    |
| 32 Subtotal, Operating Expenditures              | 4,203,496 | 4,550,588 | 4,623,551 | 4,927,772 | 5,129,383 | 5,332,745 | 5,551,031 |
| 33 Paygo Capital                                 | 20,550    | 207,083   | 208,523   | 87,987    | 0         | 0         | 0         |
| 34 Transfer to Trust Fund for Post-Employment    | 0         | 138,000   | 138,000   | 4,700     | 81,000    | 86,200    | 91,800    |
| 35 Local Fund Contribution to Capital Fund Bal   | 0         | 53,800    | 53,800    | 0         | 0         | 0         | 0         |
| 37 Total Local Fund Expenditures                 | 4,224,046 | 4,949,471 | 5,023,874 | 5,020,459 | 5,210,383 | 5,418,945 | 5,642,831 |
| 38 Operating Margin, Budget Basis                | 324,178   | 1,273     | 38,546    | 1,832     | 1,500     | 2,500     | 42,348    |

## ATTACHMENT D

**Housing Production Trust Fund: Dedicated Taxes Component of the General Fund Financial Plan**  
**(\$ thousands)**

|  | <b>FY 2005<br/>Actual</b> | <b>FY 2006<br/>Approved</b> | <b>FY 2006<br/>Adjusted</b> | <b>FY 2007<br/>Proposed</b> | <b>FY 2008<br/>Projected</b> | <b>FY 2009<br/>Projected</b> | <b>FY 2010<br/>Projected</b> |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|
| 1 Revenues                                   |                           |                             |                             |                             |                              |                              |                              |
| 4 Dedicated Taxes - HPTF                     | 0                         | 0                           | 0                           | 50,587                      | 53,255                       | 58,103                       | 64,005                       |
| 7 Sub Total Dedicated Taxes - HPTF           | 0                         | 0                           | 0                           | 50,587                      | 53,255                       | 58,103                       | 64,005                       |
| 19 Revenue Policy Proposals                  | 0                         | 0                           | 0                           | 15,151                      | 16,000                       | 17,542                       | 19,420                       |
| 20 Total Dedicated Taxes - HPTF              | 0                         | 0                           | 0                           | 65,738                      | 69,255                       | 75,644                       | 83,424                       |
| 21   |                           |                             |                             |                             |                              |                              |                              |
| 22 Expenditures (by Appropriation Title)     |                           |                             |                             |                             |                              |                              |                              |
| 23 Governmental Direction and Support        | 0                         | 0                           | 0                           | 0                           | 0                            | 0                            | 0                            |
| 24 Economic Development and Regulation       | 0                         | 0                           | 0                           | 0                           | 0                            | 0                            | 0                            |
| 25 Public Safety and Justice                 | 0                         | 0                           | 0                           | 0                           | 0                            | 0                            | 0                            |
| 26 Public Education System                   | 0                         | 0                           | 0                           | 0                           | 0                            | 0                            | 0                            |
| 27 Human Support Services                    | 0                         | 0                           | 0                           | 0                           | 0                            | 0                            | 0                            |
| 28 Public Works                              | 0                         | 0                           | 0                           | 0                           | 0                            | 0                            | 0                            |
| 29 Financing and Other                       | 0                         | 0                           | 0                           | 0                           | 0                            | 0                            | 0                            |
| 32 Subtotal, Operating Expenditures          | 0                         | 0                           | 0                           | 0                           | 0                            | 0                            | 0                            |
| 36 Transfer to HPTF Special Revenue Fund     | 0                         | 0                           |                             | 65,738                      | 69,255                       | 75,644                       | 83,424                       |
| 37 Total Dedicated Taxes - HPTF Expenditures | 0                         | 0                           | 0                           | 65,738                      | 69,255                       | 75,644                       | 83,424                       |
| 38 Operating Margin, Budget Basis            | 0                         | 0                           | 0                           | 0                           | 0                            | 0                            | 0                            |

## ATTACHMENT E

**Special Purpose Revenue Component of the General Fund Financial Plan  
(\$ thousands)**

|     |  | <b>FY 2005</b> | <b>FY 2006</b>  | <b>FY 2006</b>  | <b>FY 2007</b>  | <b>FY 2008</b>   | <b>FY 2009</b>   | <b>FY 2010</b>   |
|-----|--|----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|
|     |  | <b>Actual</b>  | <b>Approved</b> | <b>Adjusted</b> | <b>Proposed</b> | <b>Projected</b> | <b>Projected</b> | <b>Projected</b> |
|     | 1 Revenues                               |                |                 |                 |                 |                  |                  |                  |
|     | 5 Special Purpose (O-type) Revenues      | 311,789        | 264,254         | 354,667         | 368,657         | 364,748          | 361,830          | 373,639          |
|     | 7 General Fund Revenues                  | 311,789        | 264,254         | 354,667         | 368,657         | 364,748          | 361,830          | 373,639          |
|     | 16 Fund Balance Use                      | 13,456         | 124,712         | 135,420         | 109,875         | 0                | 0                | 0                |
| 16a | Fund Balance Certified but not used      | 0              | 0               | 0               | -1,918          | 0                | 0                |                  |
|     | 17 Transfer from Local Revenues          | 0              | 54,395          | 0               | 0               | 0                | 0                | 0                |
|     | 19 Revenue Proposals/One-time Revenue    | 0              | 3,753           | 0               | 0               | 0                | 0                | 0                |
|     | 20 Total General Fund Resources          | 325,245        | 447,114         | 490,087         | 476,614         | 364,748          | 361,829          | 373,638          |
|     | 21                                       |                |                 |                 |                 |                  |                  |                  |
|     | 22 Expenditures (by Appropriation Title) |                |                 |                 |                 |                  |                  |                  |
|     | 23 Governmental Direction and Support    | 22,374         | 44,226          | 44,226          | 54,658          | 47,250           | 46,871           | 48,401           |
|     | 24 Economic Development and Regulation   | 109,278        | 226,527         | 226,527         | 160,506         | 138,752          | 137,642          | 142,134          |
|     | 25 Public Safety and Justice             | 22,674         | 57,252          | 57,252          | 55,292          | 47,798           | 47,416           | 48,963           |
|     | 26 Public Education System               | 8,057          | 11,703          | 11,703          | 20,479          | 17,703           | 17,562           | 18,135           |
|     | 27 Human Support Services                | 29,094         | 33,854          | 33,854          | 53,572          | 46,311           | 45,941           | 47,440           |
|     | 28 Public Works                          | 11,571         | 49,727          | 49,727          | 53,922          | 46,614           | 46,241           | 47,750           |
|     | 29 Financing and Other                   | 0              | 23,824          | 23,824          | 23,505          | 20,319           | 20,157           | 20,815           |
|     | 32 Subtotal, Operating Expenditures      | 203,048        | 447,114         | 447,113         | 421,934         | 364,748          | 361,829          | 373,638          |
|     | 36 Transfer to HPTF Special Revenue Fund | 0              | 0               | 0               | 54,680          | 0                | 0                |                  |
|     | 37 Total General Fund Expenditures       | 203,048        | 447,114         | 447,113         | 476,614         | 364,748          | 361,829          | 373,638          |
|     | 38 Operating Margin, Budget Basis        | 122,197        | 0               | 42,974          | 0               | 0                | 0                | 0                |

## ATTACHMENT F

### Federal and Private Resources Financial Plan (\$ thousands)

| Revenues | Actual                                   | FY 2005<br>Approved | FY 2006<br>Adjusted | FY 2006<br>Proposed | FY 2007<br>Projected | FY 2008<br>Projected | FY 2009<br>Projected | FY 2010   |
|----------|--|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|-----------|
| F1       | Federal Grants                           | 1,633,406           | 1,911,042           | 1,911,041           | 2,008,024            | 2,131,370            | 2,263,395            | 2,405,741 |
| F2       | Federal Payment/Contribution             | 89,166              | 34,500              | 62,617              | 36,400               | 37,258               | 38,099               | 38,960    |
| F3       | Private Grants                           | 5,677               | 16,213              | 16,213              | 6,850                | 7,070                | 7,292                | 7,521     |
| F4       | Federal & Private Resources              | 1,728,249           | 1,961,755           | 1,989,871           | 2,051,274            | 2,175,698            | 2,308,786            | 2,452,222 |
| F5       | Fund Balance Use                         | 43,420              | 0                   | 0                   | 0                    | 0                    | 0                    | 0         |
| F6       | Transfer to General Fund                 | 0                   | -6,502              | -6,502              | -6,502               | -6,646               | -6,807               | -6,979    |
| F7       | Total Federal & Private Resources        | 1,771,669           | 1,955,253           | 1,983,369           | 2,044,772            | 2,169,052            | 2,301,979            | 2,445,243 |
| F8       |  |                     |                     |                     |                      |                      |                      |           |
| F9       | Expenditures (by Appropriation Title)    |                     |                     |                     |                      |                      |                      |           |
| F10      | Governmental Direction and Support       | 120,489             | 171,976             | 171,976             | 157,746              | 161,608              | 165,408              | 169,301   |
| F11      | Economic Development and Regulation      | 91,671              | 118,312             | 118,312             | 133,742              | 137,261              | 140,745              | 144,325   |
| F12      | Public Safety and Justice                | 9,724               | 10,577              | 10,564              | 7,398                | 7,629                | 7,860                | 8,099     |
| F13      | Public Education System                  | 200,469             | 240,194             | 265,601             | 226,462              | 232,468              | 238,417              | 244,529   |
| F14      | Human Support Services                   | 1,300,169           | 1,405,819           | 1,407,551           | 1,500,033            | 1,610,111            | 1,728,991            | 1,857,830 |
| F15      | Public Works                             | 13,728              | 8,375               | 9,365               | 19,391               | 19,975               | 20,558               | 21,159    |
| F16      | Financing and Other                      | 16,697              | 0                   | 0                   | 0                    | 0                    | 0                    | 0         |
| F17      | Total Federal & Private Expenditures     | 1,752,947           | 1,955,253           | 1,983,369           | 2,044,772            | 2,169,052            | 2,301,979            | 2,445,243 |
| F18      | Operating Margin, Budget Basis           | 18,722              | 0                   | 0                   | 0                    | 0                    | 0                    | 0         |
| F19      |  |                     |                     |                     |                      |                      |                      |           |
| F20      | Beginning Federal & Private Fund Balance | 139,607             | 117,947             | 117,947             | 117,947              | 117,947              | 117,947              | 117,947   |
| F21      | Operating Margin, Budget Basis           | 18,722              | 0                   | 0                   | 0                    | 0                    | 0                    | 0         |
| F22      | Projected GAAP Adjustments (Net)         | 3,038               | 0                   | 0                   | 0                    | 0                    | 0                    | 0         |
| F23      | Fund Balance Use                         | -43,420             | 0                   | 0                   | 0                    | 0                    | 0                    | 0         |
| F24      | Ending Federal & Private Fund Balance    | 117,947             | 117,947             | 117,947             | 117,947              | 117,947              | 117,947              | 117,947   |



# Projected Fund Balance vs. Total Working Capital

(\$ in thousands)

